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**5 SEM TDC RKMT 3 (Sp)**

**2014**

( November )

**COMMERCE**

( Speciality )

Course : 503

( Risk Management )

Full Marks : 80

Pass Marks : 32

Time : 3 hours

*The figures in the margin indicate full marks  
for the questions*

1. Answer the following as directed :  $1 \times 8 = 8$

(a) One of the broad objectives of risk management is satisfaction of externally imposed obligations.

( Write True or False )

(b) A forward is a contract to make a deferred purchase or a sale.

( Write True or False )

(c) Define risk in one sentence.

(d) Utility of a portfolio is the aggregate of expected return and the risk level of the portfolio.

( Write True or False )

(e) Which of the following is not normally taken into consideration to judge liquidity risk of bank?

- (i) Current ratio
- (ii) Acid-test ratio
- (iii) Debt-equity ratio
- (iv) Networking capital

( Choose the correct answer )

(f) —— banks should not be permitted to invest their funds anywhere except in government securities.

( Fill in the blank )

(g) Reinsurance is a type of risk management involving transfer of risk from insurer to reinsurer.

( Write True or False )

(h) Reinsurance is a process which reduces the risk of the original —.

( Fill in the blank )

2. Write short notes on any *four* of the following :  $4 \times 4 = 16$

- (a) Economic risk
- (b) Capital adequacy norms
- (c) Overall risk determination
- (d) ALM organization
- (e) Risk reduction

3: (a) Distinguish between systematic risk and unsystematic risk with examples. 11

*Or*

(b) What do you mean by pure risk?  
Discuss the main features of pure risk.  $3+8=11$

4. (a) What do you mean by liquidity risk?  
Discuss how a bank can manage its liquidity risk.  $3+8=11$

*Or*

(b) Briefly explain the principles followed by banks in managing their portfolios of investment. 11

5. (a) Discuss the risk management process followed by a bank. 11

( 4 )

Or

(b) What do you mean by currency risk? Explain how a bank can manage its currency risk. 3+8=11

6. (a) What do you mean by value maximization approach? How can a bank apply this approach for managing their assets? 5+6=11

Or

(b) Write brief notes on the following : 5½+5½=11

(i) Capitalization of bank

(ii) Risk avoidance

7. (a) Define risk retention. What are the potential savings to a firm deciding to retain risk? 5+7=12

Or

(b) Discuss about the risks associated with life insurance business. 12

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